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Sessional Committee II

UNCTAD'S CONTRIBUTION TO THE UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990s: INVESTMENT PROMOTION, FOREIGN DIRECT INVESTMENT, TRANSFER OF TECHNOLOGY

Draft agreed conclusions of Sessional Committee II

1. Sessional Committee II considered item 6 on the agenda of the Trade and Development Board at the second part of its fortieth session. There was a fruitful exchange of views on the specific issues relating to investment promotion, foreign direct investment and transfer of technology to Africa. The Board's deliberations identified factors that still restrain investment inflows to Africa, as well as possible responses by the African countries, UNCTAD and the international community in general. UNCTAD secretariat document TD/B/40(2)/9 provided the background for the Committee's work. Also, the work of the three Ad Hoc Working Groups on (a) Investment and Financial Flows; Non-debt-creating Finance for Development; New Mechanisms for increasing Investment and Financial Flows; (b) the Interrelationship between Investment and Technology Transfer; and (c) Comparative Experiences with Privatization has already provided the framework for responding to some of these issues.

2. In accordance with paragraph 6 of Agreed Conclusions 403 adopted by the Trade and Development Board at the second part of its thirty-ninth session, the successful outcome of the Tokyo Conference on African Development, held in October 1993, was reported on and welcomed.

3. The Board agrees that:

(a) The economic situation in most African countries continues to deteriorate, and effective measures to reverse the situation with the aim of attracting, promoting and retaining investment, including increased financial flows, are needed;

(b) Sound and sustainable macroeconomic policies, political stability, good governance, physical and institutional infrastructure and human resource development are a prerequisite for encouraging increased investment in Africa;

(c) Creating the legal, economic, and social conditions conducive to domestic investment has also proven to be effective in attracting foreign investment.

4. The Board invites African countries to:

(a) Initiate or continue reforms of legal and regulatory frameworks in order to improve the business environment, both for domestic and for foreign investment;

(b) Undertake and maintain efforts to create macroeconomic stability and carry out appropriate structural adjustment and liberalisation policies;

(c) Take concrete steps to facilitate the development of local private enterprises and to involve the private sector in policy formulation;

(d) Strengthen local capital markets, including new or expanded stock exchanges and specialized financial institutions, providing equity and loan capital to small and medium-size enterprises (SMSE);

(e) Raise the level of investment in human capital, in particular in the literacy and numeracy of the general population;

(f) Facilitate regional integration and cooperation, in particular in the areas of laws and regulations pertaining to the conduct of trade and investment, by strengthening and rationalising existing regional intergovernmental mechanisms;

(g) Take steps to enable enterprises to benefit from foreign portfolio investments, inter alia, through the development of appropriate financial institutions.

5. The Board urges the international community to:

(a) Assist and support African countries in pursuing the above endeavour by creating new, wherever possible, and strengthening existing, channels of assistance and programmes of support in areas such as human resource development and technology transfer, in particular, through research and development centres, and support studies regarding the feasibility of the establishment of financial institutions, creation and reform of legal and regulatory frameworks pertaining to business conduct, creation of investment guarantee mechanisms and strengthening and developing of the financial sector;

(b) Reaffirm that the conceptual framework and implementation of structural adjustment policies should be improved by recognizing that these programmes and reforms induce social and adjustment costs and assist African countries to mitigate these effects;

(c) Assist African countries in disseminating information on investment opportunities in Africa, investment promotion programmes, and the improved investment environment resulting from the initiatives taken by African Governments;

(d) Intensify efforts to alleviate the debt burden, according to provisions in the New Agenda for the Development of Africa in the 1990s;

(e) Continue supporting Africa's development efforts by meeting their ODA commitments and targets.

6. The Board requests the UNCTAD secretariat, within UNCTAD's mandate, and where appropriate in cooperation with relevant agencies of the United Nations system, to:

(a) Ensure that, in accordance with the Board decision taken at its thirty-ninth session, first part,[1] the needs of African countries be taken fully into account in its activities;

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[1] See TD/B/39(1)/15

(b) Propose ways and means of:

(i) Creating a sound business environment in such areas as accountancy, legal and regulatory frameworks, dispute settlement and arbitration mechanisms, and investment guarantee mechanisms, through technical assistance programmes, seminars and training, conferences, compilation of existing national regulations on investment, etc.;

(ii) Providing assistance in promoting the development of private enterprises by, inter alia, facilitating networking of private enterprises through such organs as Chambers of Commerce, studying the applicability of various credit creation mechanisms to Africa, and exploring and studying creative ways to promote private enterprise development, such as joint enterprises and management contracts;

(iii) Providing technical assistance to financial institutions, such as commercial and development banks and insurance companies, and conducting feasibility studies for creating and strengthening the effectiveness of local capital markets;

(iv) Facilitating human resources development in such areas as education, management, technology and engineering, accounting and finance by providing and expanding training programmes such as TRAINFORTRADE or facilitating cooperative programmes, using, inter alia, qualified manpower provided by other countries.

(c) Facilitate and assist the dissemination of information on business and investment opportunities in Africa, investment promotion programmes, and the improved investment environment resulting from reforms in such areas as legal and regulatory frameworks; move promptly to respond to requests to establish Trade Points as a way to increase information on trade and investment opportunities;

(d) Promote technical assistance programmes that encourage capacity-building with a view to augmenting Africa's own capacity, and in particular putting in place a sound technological base.

Future work of the Board

7. The Board requests the secretariat to report to it in progress reports on the follow-up to these activities.

8. The Board requests the secretariat to prepare and present, to the second part of the forty-first session of the Board, an evaluation of UNCTAD's contribution to the implementation of the United Nations New Programme for the Development of Africa in the 1990s.

9. The Board invites Governments to consider making extrabudgetary contributions to enable the secretariat to carry out the above activities.